

House Study Bill 660 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON SANDS)

A BILL FOR

1 An Act relating to the administration of the sales and use
2 taxes by modifying provisions related to property purchased
3 for resale and by creating a sales tax exemption for certain
4 items purchased for use in providing vehicle wash and wax
5 services and including effective date provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.1, subsection 39, paragraphs b and c,
2 Code Supplement 2011, are amended to read as follows:

3 b. The property is transferred to the user of the service
4 in connection with the performance of the service in a form
5 or quantity capable of a fixed or definite price value, or
6 the property is entirely consumed in connection with the
7 performance of the service purchased by the ultimate user.

8 c. The sale is evidenced by a separate charge for the
9 identifiable piece of property unless the property is entirely
10 consumed in connection with the performance of the service
11 purchased by the ultimate user.

12 Sec. 2. Section 423.3, Code Supplement 2011, is amended by
13 adding the following new subsection:

14 NEW SUBSECTION. 96. The sales price from the sale of water,
15 electricity, chemicals, solvents, sorbents, or reagents to a
16 retailer to be used in providing a service that includes a
17 vehicle wash and wax, which vehicle wash and wax service is
18 subject to section 423.2, subsection 6.

19 Sec. 3. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
20 immediate importance, takes effect upon enactment.

21 EXPLANATION

22 This bill amends the definition of "property purchased for
23 resale in connection with the performance of a service" in
24 Code section 423.1. Under current law, property qualifies
25 as "property purchased for resale in connection with the
26 performance of a service" if, among other things, it is
27 transferred during the service in a form or quantity capable
28 of a fixed or definite price value and listed as a separate
29 charge. The bill provides that property which is entirely
30 consumed in connection with the performance of a service will
31 also qualify as "property purchased for resale in connection
32 with the performance of a service", and provides that the
33 property entirely consumed in performance of the service need
34 not be listed as a separate charge.

35 The bill also creates a sales tax exemption for sales of

1 water, electricity, chemicals, solvents, sorbents, or reagents
2 made to a retailer for use in providing taxable vehicle wash
3 and wax services. By operation of Code section 423.6, an item
4 exempt from the imposition of the sales tax is also exempt from
5 the use tax imposed in Code section 423.5.

6 The bill takes effect immediately upon enactment.